

MEMO

To: Housing Methodology Committee (HMC)
From: ABAG Staff
Date: October 11, 2006
Subject: Scenarios for Allocating Units by Income

Background

There are two primary goals at the heart of the Regional Housing Need Allocation (RHNA) process. The first is to increase the supply of housing in California by allocating a share of the state-wide housing need to each city and county. The second is to ensure that local governments consider the housing needs of persons at all income levels as they prepare their Housing Elements.

To achieve these two goals, the allocation of the regional housing need to local governments occurs in two stages. The first is to allocate housing units to each city and county in the region. The second is to split each jurisdiction's total allocation into the four income categories established by the State. The four income categories defined by the State are:

- **Very Low:** households with income **up to 50 percent** of the county's area median income (AMI)
- **Low:** households with income **between 50 and 80 percent** of the county's AMI
- **Moderate:** households with income **between 80 and 120 percent** of the county's AMI
- **Above-Moderate:** households with income **above 120 percent** of the county's AMI

The goals and requirements of the allocation of units by income are specifically addressed in the RHNA objectives. The first is that all cities and counties are responsible for doing their "fair share" and planning for at least some of the region's need for very-low- and low-income units.¹ The second is that the allocation methodology must avoid or mitigate the over-concentration of income groups in a jurisdiction.²

The RHNA allocation methodology must assign the regional need to each jurisdiction in a way that fully allocates the units in each income category and complies with the two objectives listed above. The HMC requested that ABAG staff generate several possible scenarios for allocating units by income. This memo shows the effects of different strategies for allocating units in each income category.³

Allocation Scenarios

When allocating units by income, particularly affordable units, there is an underlying tension between trying to ensure that all communities do their "fair share" and responding to existing needs for housing. For example, allocating more low-income units to a jurisdiction that has a higher proportion of low-income residents would help to meet the community's existing needs. However, this strategy would

¹ Government Code Section 65584(d)(1).

² Government Code Section 65584(d)(4).

³ The allocation of units by income occurs after jurisdictions receive their share of the regional housing need. Since the methodology for this base allocation has not yet been determined, the scenarios show the percent of units in each income category that a jurisdiction would receive, rather than a number of housing units.

promote the further concentration of low-income households in that community and would not move the region toward a more equitable distribution of income.

The examples developed by ABAG staff are based on the following possible scenarios (Attached):

- Scenario 1: Moving every jurisdiction 50 percent toward the county average income distribution
- Scenario 2: Moving every jurisdiction 50 percent toward the regional average income distribution
- Scenario 3: Allocating units to each jurisdiction based on the county's average income distribution
- Scenario 4: Including a factor to address high housing cost burdens

Moving Toward a County or Regional Income Distribution

Scenarios 1 and 2 both attempt to balance the existing need for housing with the goal of creating a more equitable income distribution. Both start with a jurisdiction's existing income distribution. In Scenario 1, this existing distribution is moved 50 percent toward the county average income distribution. In Scenario 2, the existing distribution is moved 50 percent toward the regional average.

Comparing a jurisdiction to the county takes local differences in income into account. In contrast, using the regional income distribution attempts to overcome county-level differences in income to create a more equitable distribution region-wide.

These scenarios start with a jurisdiction's existing income distribution and then move part of the way to either the county or regional household income average. As a result, these methodologies try to assign units to where they are currently needed while also creating a more fair income distribution. However, the fact that the method starts with the existing conditions means that jurisdictions with more households in affordable categories (relative to the regional average) must still plan for disproportionately more affordable housing, and those with less than the regional average must plan for less.

It can be argued that this approach balances meeting the existing need in a specific jurisdiction with the goal of having all jurisdictions do their "fair share" to meet the region's housing needs. At the same time, these approaches can be described as perpetuating the over-concentration of the region's lower income populations in certain communities.

Using the County Income Distribution

In contrast to the first two scenarios, Scenario 3 does not take a jurisdiction's existing income distribution into account. In this case, each jurisdiction is assigned the same distribution as the county-wide distribution. In effect, this "equal share" approach applies the county-wide income distribution to each jurisdiction within the county.

A primary benefit of this approach is that it is consistent with the idea that every jurisdiction should do its "fair share" to provide affordable housing. It also promotes a more equitable income distribution by moving every jurisdiction in a county to the same standardized income distribution. This method also avoids over-concentrating an income group in a jurisdiction. However, one potential drawback of this strategy is that by excluding existing conditions, it does not do enough to address the existing needs for affordable housing.

High Housing Cost Burdens

As part of its discussions, the HMC felt that high housing cost burdens would be most appropriately considered as part of the discussion of housing affordability categories. We typically look at household income to assess affordability.

However, many households in the region spend a higher proportion of their income on housing than the standard set in federal and state policies. Those policies call for a household to spend no more than 30 percent of its income on housing. In the Bay Area, about 50 percent of all households spend greater than 30 percent of their income on housing and over 25 percent spend more than 50 percent.

One way to address the issue of high housing cost burdens is to assign more of the lower income housing to areas where the housing cost burden is the greatest. Assigning more housing without regard to affordability would not directly address the problem. The last column in the attachment shows the proportion of households in each jurisdiction that are paying more than 30 percent of their income for housing based on 2000 Census data. This information could be used to adjust the income allocation for each jurisdiction so that areas with higher numbers of households with a cost burden receive a larger share of affordable units. However, it should be noted that most jurisdictions have similar proportions of households that fall into this category.

Summary

This memo outlines several possible methods for accomplishing the allocation of units by income for RHNA. It also describes some of the advantages and drawbacks of the different strategies.

In selecting an allocation methodology, the HMC must consider the extent to which it distributes housing units in a way that:

- Provides for the housing needs of persons at all income levels
- Ensures that every jurisdiction does its “fair share” to provide affordable housing
- Encourages an equitable distribution of incomes throughout the region
- Avoids over-concentrating an income group in a jurisdiction.

	Existing Income Allocation				50% Toward County Average				50% Toward Region Average				County Average				Housing Cost Burden >30%	
	Very Low <50%	Low <80%	Mod <120%	Above Mod	Very Low <50%		Low <80%		Mod <120%		Above Mod		Very Low <50%	Low <80%	Mod <120%	Above Mod		
Alameda County	ALAMEDA	22%	17%	20%	42%	23%	17%	19%	42%	23%	17%	19%	42%	24%	16%	18%	42%	31%
	ALBANY	22%	18%	20%	40%	23%	17%	19%	41%	23%	17%	19%	41%	24%	16%	18%	42%	33%
	BERKELEY	35%	15%	15%	35%	29%	16%	17%	38%	26%	16%	18%	40%	24%	16%	18%	42%	38%
	DUBLIN	9%	12%	19%	60%	17%	14%	19%	51%	20%	15%	19%	46%	24%	16%	18%	42%	32%
	EMERYVILLE	31%	18%	19%	31%	28%	17%	19%	37%	25%	17%	19%	39%	24%	16%	18%	42%	42%
	FREMONT	12%	11%	18%	58%	18%	14%	18%	50%	20%	15%	19%	46%	24%	16%	18%	42%	31%
	HAYWARD	23%	19%	23%	35%	23%	18%	21%	38%	23%	17%	20%	40%	24%	16%	18%	42%	35%
	LIVERMORE	12%	12%	18%	57%	18%	14%	18%	49%	20%	15%	19%	46%	24%	16%	18%	42%	31%
	NEWARK	13%	14%	21%	52%	19%	15%	20%	47%	21%	16%	19%	44%	24%	16%	18%	42%	31%
	OAKLAND	36%	19%	16%	29%	30%	18%	17%	35%	26%	17%	18%	38%	24%	16%	18%	42%	37%
	PIEDMONT	9%	5%	9%	78%	16%	10%	13%	60%	19%	13%	16%	51%	24%	16%	18%	42%	28%
	PLEASANTON	9%	9%	16%	66%	17%	12%	17%	54%	20%	14%	18%	48%	24%	16%	18%	42%	29%
	SAN LEANDRO	23%	20%	22%	35%	23%	18%	20%	38%	23%	17%	20%	40%	24%	16%	18%	42%	30%
	UNION CITY	15%	12%	19%	55%	19%	14%	19%	48%	21%	15%	19%	45%	24%	16%	18%	42%	32%
	UNINCORPORATED	20%	17%	20%	42%	22%	17%	19%	42%	22%	17%	19%	42%	24%	16%	18%	42%	32%
	Alameda County	24%	16%	18%	42%	24%	16%	18%	42%	23%	16%	19%	42%	24%	16%	18%	42%	34%
Contra Costa County	ANTIOCH	23%	19%	23%	36%	22%	18%	22%	38%	22%	17%	20%	40%	22%	17%	20%	41%	34%
	BRENTWOOD	18%	17%	21%	44%	20%	17%	21%	42%	21%	17%	20%	42%	22%	17%	20%	41%	30%
	CLAYTON	10%	8%	16%	67%	16%	12%	18%	54%	19%	15%	19%	48%	22%	17%	20%	41%	25%
	CONCORD	25%	20%	23%	32%	23%	18%	22%	36%	23%	17%	20%	39%	22%	17%	20%	41%	33%
	DANVILLE	8%	9%	12%	72%	15%	13%	16%	56%	19%	15%	18%	49%	22%	17%	20%	41%	32%
	EL CERRITO	24%	20%	20%	35%	23%	19%	20%	38%	23%	18%	20%	40%	22%	17%	20%	41%	26%
	HERCULES	11%	17%	24%	49%	16%	17%	22%	45%	19%	17%	21%	43%	22%	17%	20%	41%	32%
	LAFAYETTE	11%	10%	16%	63%	17%	13%	18%	52%	20%	15%	19%	47%	22%	17%	20%	41%	26%
	MARTINEZ	20%	17%	23%	40%	21%	17%	21%	40%	22%	17%	20%	41%	22%	17%	20%	41%	26%
	MORAGA	11%	11%	16%	62%	17%	14%	18%	51%	20%	15%	19%	46%	22%	17%	20%	41%	29%
	OAKLEY	15%	18%	30%	37%	19%	17%	25%	39%	21%	17%	22%	40%	22%	17%	20%	41%	26%
	ORINDA	10%	9%	12%	69%	16%	13%	16%	55%	19%	15%	18%	48%	22%	17%	20%	41%	36%
	PINOLE	19%	18%	25%	38%	20%	18%	23%	39%	21%	17%	21%	40%	22%	17%	20%	41%	26%
	PITTSBURG	29%	22%	23%	27%	25%	19%	22%	34%	24%	18%	20%	38%	22%	17%	20%	41%	27%
	PLEASANT HILL	19%	16%	23%	42%	20%	17%	21%	42%	22%	17%	20%	42%	22%	17%	20%	41%	34%
	RICHMOND	35%	22%	20%	23%	28%	20%	20%	32%	25%	18%	19%	35%	22%	17%	20%	41%	31%
SAN PABLO	43%	21%	18%	17%	33%	19%	19%	29%	28%	18%	19%	37%	22%	17%	20%	41%	36%	
SAN RAMON	8%	11%	17%	65%	15%	14%	18%	53%	19%	15%	19%	47%	22%	17%	20%	41%	40%	
WALNUT CREEK	22%	18%	20%	41%	22%	17%	20%	41%	22%	17%	20%	41%	22%	17%	20%	41%	29%	
UNINCORPORATED	22%	16%	19%	43%	22%	16%	20%	42%	22%	16%	19%	42%	22%	17%	20%	41%	29%	
Contra Costa County	22%	17%	20%	41%	22%	17%	20%	41%	22%	17%	20%	41%	22%	17%	20%	41%	32%	

	Existing Income Allocation				50% Toward County Average				50% Toward Region Average				County Average				Housing Cost Burden >30%	
	Very Low <50%	Low <80%	Mod <120%	Above Mod	Very Low <50%	Low <80%	Mod <120%	Above Mod	Very Low <50%	Low <80%	Mod <120%	Above Mod	Very Low <50%	Low <80%	Mod <120%	Above Mod		
PORTOLA VALLEY REDWOOD CITY SAN BRUNO SAN CARLOS SAN MATEO SOUTH SAN FRANCISCO WOODSIDE UNINCORPORATED San Mateo County	10%	6%	9%	75%	21%	17%	20%	41%						21%	17%	20%	41%	33%
	23%	20%	21%	35%	23%	19%	21%	38%	23%	18%	20%	40%	22%	17%	20%	41%	33%	
	14%	12%	17%	56%	18%	15%	19%	49%	20%	16%	19%	45%	22%	17%	20%	41%	28%	
	27%	20%	23%	30%	24%	19%	21%	36%	23%	18%	20%	39%	22%	17%	20%	41%	34%	
	12%	10%	12%	66%	17%	14%	16%	53%	20%	15%	18%	48%	22%	17%	20%	41%	26%	
	9%	6%	9%	76%	16%	12%	14%	58%	19%	14%	17%	50%	22%	17%	20%	41%	33%	
	17%	15%	16%	53%	19%	16%	18%	47%	21%	16%	19%	44%	22%	17%	20%	41%	32%	
	16%	16%	21%	47%	19%	16%	21%	44%	21%	16%	20%	43%	22%	17%	20%	41%	29%	
	11%	8%	10%	70%	17%	13%	15%	56%	20%	15%	17%	49%	22%	17%	20%	41%	34%	
	21%	13%	20%	46%	21%	15%	20%	44%	22%	16%	20%	43%	22%	17%	20%	41%	32%	
MORGAN HILL MOUNTAIN VIEW PALO ALTO SAN JOSE SANTA CLARA SARATOGA SUNNYVALE UNINCORPORATED Santa Clara County	24%	18%	20%	38%	23%	18%	20%	39%	23%	17%	20%	41%	22%	17%	20%	41%	31%	
	21%	13%	15%	51%	21%	15%	18%	46%	22%	16%	18%	44%	22%	17%	20%	41%	28%	
	23%	18%	21%	38%	23%	17%	21%	39%	23%	17%	20%	40%	22%	17%	20%	41%	33%	
	24%	18%	22%	36%	23%	17%	21%	39%	23%	17%	20%	40%	22%	17%	20%	41%	29%	
	12%	7%	10%	71%	17%	12%	15%	56%	20%	14%	17%	49%	22%	17%	20%	41%	27%	
	21%	17%	22%	41%	21%	17%	21%	41%	22%	17%	20%	41%	22%	17%	20%	41%	27%	
	25%	17%	17%	41%	23%	17%	19%	41%	23%	17%	19%	41%	22%	17%	20%	41%	31%	
	22%	17%	20%	41%	22%	17%	20%	41%	22%	17%	20%	41%	22%	17%	20%	41%	31%	
	BENICIA DIXON FAIRFIELD RIO VISTA SUISUN CITY VACAVILLE VALLEJO UNINCORPORATED Solano County	16%	14%	18%	52%	19%	15%	20%	46%	21%	16%	19%	44%	21%	17%	21%	40%	31%
		17%	20%	23%	40%	19%	19%	22%	40%	21%	18%	21%	41%	21%	17%	21%	40%	30%
22%		19%	21%	38%	22%	18%	21%	39%	22%	17%	20%	40%	21%	17%	21%	40%	30%	
30%		19%	22%	29%	25%	18%	22%	35%	24%	17%	20%	38%	21%	17%	21%	40%	32%	
15%		15%	25%	46%	18%	16%	23%	43%	20%	16%	21%	42%	21%	17%	21%	40%	31%	
18%		17%	21%	43%	20%	17%	21%	42%	21%	17%	20%	42%	21%	17%	21%	40%	30%	
25%		18%	21%	36%	23%	18%	21%	38%	23%	17%	20%	40%	21%	17%	21%	40%	33%	
19%		16%	20%	45%	20%	17%	21%	43%	21%	17%	20%	42%	21%	17%	21%	40%	30%	
21%		17%	21%	40%	21%	17%	21%	40%	22%	17%	20%	41%	21%	17%	21%	40%	31%	

[illegible]